



**American
Iron and Steel
Institute**

1140 Connecticut Avenue, NW
Suite 705
Washington, DC 20036-4700
Phone 202.452.7146
Fax: 202.452.1039
Email: ASharkey@steel.org

www.steel.org

Andrew G. Sharkey, III
President and Chief Executive Officer

May 11, 2004

The Honorable Spencer Abraham
Secretary of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Subject: US Steel Industry's Global Climate Change Climate VISION Program

Dear Mr. Secretary:

On January 7, 2003, the American Iron and Steel Institute (AISI) made a commitment to DOE as part of the Business Challenge Program which was renamed Climate VISION and this memo is designed to update you on the status of our commitment (letter attached).

The American steel industry has long been a leader in reducing energy intensity in the steel manufacturing process and correspondingly reducing greenhouse gas emissions. As part of our Climate VISION commitment, we agreed to establish an industry-wide reporting protocol to gather energy data, which would enable us to set a 2002 baseline from which to measure future progress toward a goal of further reducing our energy intensity 10% by 2012. The protocol was established, 2002 energy intensity data for the industry gathered, and the 2002 baseline of 13.6 MMBTU/ton of steel shipped represents a 17% improvement over the 1990 usage. The industry is very proud of this accomplishment and the process of data gathering for 2003 will begin shortly.

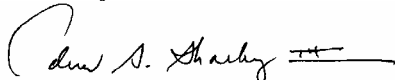
Now the problem. As you will notice from item # 4 on the second page of the commitment letter, along with the paragraph following, a key to achieving our further goal of a 10% energy intensity improvement is technology, and we have done our part. We established, with member company funds, a CO₂ Breakthrough Technology Program committed to identify and develop the technologies that will further reduce the energy intensity of our industry. What is now holding up our effort is the lack of co-funding from the Department of Energy. We have selected the projects, participated in the steel industry global effort to develop technologies, and have unfortunately had to tell the rest of the global community that government cost sharing for 2004/2005 is still being worked out. They do not understand how the United States can advocate technology as the solution to the Climate Change issue, but cannot help fund steel industry efforts. Neither do we understand.

We need \$1.0 million for 2004 and another \$1.0 million in 2005 to move these projects forward and to have any chance to implement the new technologies by 2012.

AISI personnel has had multiple meetings with staff in the Executive Offices of the President and support from them for our program has been unwavering.

Mr. Secretary, AISI has a long and rewarding history of cooperation with the Department of Energy, and we look forward to continued collaborative efforts toward fulfillment of our targets to respond to President Bush's Climate VISION program in a significant and meaningful way. We request a meeting at the earliest possible time to determine what can be done to remedy this situation. Jim Schultz, V.P. of Environment and Energy at AISI will be in touch with your staff shortly to follow up on this request. He can be reached at 202-452-7180.

Sincerely,

A handwritten signature in black ink, reading "Andrew G. Sharkey, III". The signature is written in a cursive style with a horizontal line at the end.

Andrew G. Sharkey, III

Cc: Jim Connaughton, Chairman, Council on Environmental Quality